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SECURITY INFORMATION

13 February 1952

US OFFICIALS ONLY

CIA No. 49539
Copy No. 46

TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Possible jet medium bombers in the Soviet Zone of Germany: The US Military Liaison Mission in Germany reports the sighting of two four-engine jet aircraft taking off from Werneuchen airfield on 24 January. Observation was made at a distance of two kilometers and the aircraft were not seen following disappearance into the overcast. The aircraft resembled Type 10 medium bombers, with certain differences in the size and placement of the engines and several other structural characteristics. (TS USAFE WEEKA # 6, 8 Feb 52)

Comment: The aircraft observed at Werneuchen, if correctly described as a four-engine jet aircraft, was probably a redesigned Type 10 or a newly designed jet-bomber. Although a small number of these prototypes were probably built, reports indicate the aircraft was unsuccessful.

No evidence is available on jet medium bomber production in the USSR. However, although the USSR's known medium bomber building effort is confined to TU-4 construction, building of Type 10's or other jet medium bombers may be in process at facilities known to exist.

The Werneuchen airfield is one of five recently-completed long-runway airfields in East Germany, and is one of the fields around which high board fences are now being built.

2. YUGOSLAVIA. Greece and Turkey favor military collaboration with Yugoslavia: Greek and Turkish officials have agreed upon the desirability of asking the Yugoslavs to enter into secret military staff discussions regarding military coordination in the event of a Soviet attack, according to United States Ambassador McGhee. The Turkish Foreign Minister expressed the belief that an agreement to hold such discussions might develop within the next two or three months, and asked Ambassador McGhee whether the United States would be able to facilitate these talks. (S S/S Ankara 741, 10 Feb 52)

Comment: Although Greece, Turkey, and Yugoslavia have acknowledged the advantages inherent in regional defense arrangements, no formal proposals suggesting staff talks have been extended by either Greece or Turkey to Yugoslavia.

There is no evidence that Yugoslavia intends to abandon its policy of non-adherence to regional defense schemes in the absence of clear signs of Soviet aggression.

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SECTION 2 (EASTERN)

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3. INDONESIA. Sukarno hopes to preserve present cabinet: [redacted] President Sukarno will try to obtain a new "gentlemen's agreement" between Prime Minister Sukiman and National Party chairman Sidik as a means of strengthening the cabinet. [redacted] 25X1X stated that in addition to the strain imposed by the tension between the Masjumi and National parties, the Socialist Party is waging an all-out campaign against the Sukiman government. The Socialists are trying to split the liberal faction of the Masjumi away from the remainder of the party. (C S/S Djakarta 1155, 9 Feb 52)

Comment: The chronic instability of the present coalition cabinet derives chiefly from the lack of cooperation between its two strongest components--the National and Masjumi parties. Within the past two weeks this situation has been increasingly strained by press speculation that the Prime Minister and Foreign Minister (both Masjumi members) have agreed, without the knowledge of the cabinet, to accept American aid within the terms of the Mutual Security Act.

In addition to increasing intra-cabinet tension, the agreement to accept US aid has brought the government under severe criticism for departing from Indonesia's "independent" foreign policy. One non-leftist parliamentary faction has demanded the Foreign Minister's resignation.

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OCI No. 3872
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DAILY DIGEST

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SECTION 1 (SOVIET)

1. USSR/INDONESIA. Arrival of TASS correspondent embarrasses Indonesian Government: TASS correspondent Vassili Usachev's arrival in Indonesia without prior knowledge of the Indonesian Government has embarrassed the government, according to Foreign Minister Subardjo. He said the government is considering whether Usachev's authority to remain can be terminated technically.

The Foreign Minister denied a press report that his government expects to appoint an ambassador to Moscow and stated that Indonesia desires no exchange of diplomatic representatives with the Soviets. However, it is possible that Usachev has been sent to try to pave the way for diplomatic representation.

Usachev is the first TASS correspondent in Indonesia since Georgi Afrin was expelled from Djakarta by the Netherlands East Indies Government in 1948 for prejudiced and provocative reporting. Although there have been rumors that Afrin might return as a diplomatic representative, it is doubtful that he would be acceptable to the Indonesian Government because of his suspected involvement in intelligence activities. (C Djakarta 1164, 11 Feb 52)

2. ALBANIA. Albanian exile explains Yugoslav influence in Albanian resistance activity: Lufti Spahiu, one of the chief organizers of Tito's underground inside Albania, is reported to have stated that it is impossible to conduct large-scale resistance activities in Albania today. Spahiu described the resistance forces presently active in Albania as consisting of small armed bands of 10 to 20 men each who roam the countryside and occasionally assassinate an unpopular Communist official. The men under Spahiu's supervision have been instructed to avoid unnecessary terrorism, since police reprisals against resistance have been extremely severe.

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Comment: Yugoslav activities and forays into Albania have been conducted over the past year mainly for the purposes of organizing a resistance core among the population and encouraging Albanians to take refuge in Yugoslavia. At the same time, Yugoslav intelligence personnel are attempting to win the support of rightist Albanian exile elements in Italy.

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3. RUMANIA. Number of collective farms increases slowly: The American Legation in Bucharest reports that as of 11 January 1952 there were 1,089 collective farms in Rumania, an increase of only six since last September. Only 80 collective farms were set up in 1951, compared with over 900 in 1950.

The advantages of collective farming are continually propagandized in the press; and it is claimed that tens of thousands of peasants are asking to join the collective farms, particularly after they see the distribution of earnings among members of existing collectives.

The Legation concludes that these claims are untrue and that, on the contrary, the Rumanian peasantry is showing strong resistance toward being forced onto collective farms. (C Bucharest 249, 11 Jan 52)

Comment: Rumania and the other Satellites have been emphasizing the need to persuade the peasants voluntarily to join and remain in agricultural cooperatives, but there has been no large-scale collectivization drive during the current winter season.

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SECTION 2 (EASTERN)

1. GREECE. Papagos reiterates to King conditional offer of collaboration:
At a secret meeting on 6 February, Marshal Papagos repeated to the King an offer to collaborate with the Liberals in new elections or consider a Rally-Liberal coalition without elections if Venizelos showed good faith in heading a one-party transitional government supported by the Rally. Papagos had previously made this offer to Liberal Party leader Venizelos. The King reportedly was pleased by the conversation but did not commit himself on the proposal. (S Athens 3649, 8 Feb 52)

Comment: The conditions previously set forth by Papagos as a price for collaboration with the Liberals make it unlikely that agreement will be reached between the two parties without considerable urging from the United States. Both the King and Venizelos are opposed to elections under the majority system which Papagos insists on, and neither is apt to give in to Papagos' demand for removal of certain high-ranking military officers.

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2. EGYPT. Existence of Egyptian Cabinet depends on solution to Anglo-Egyptian dispute:

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[redacted] believes that the government of Prime Minister Ali Maher will not last long unless progress is made toward solution of the Anglo-Egyptian dispute. He insists that discussions regarding the proposed Middle East Command will be in vain if Great Britain fails to recognize Farouk as King of the Sudan.

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According to the American Ambassador in Cairo, [redacted] recognizes social reform as the only adequate weapon against the spread of Communism in Egypt, he believes that reform in Egypt will not be possible until a solution of the Anglo-Egyptian problem is found.

Comment: In London's suggestions to its Ambassador in Cairo regarding points to be discussed between Britain and Egypt there is no indication that Britain is prepared to recognize the title recently assumed by King Farouk.

3. INDIA. Socialist leader predicts diminution of Nehru's power after the elections: Socialist leader Jai Prakash Narain stated in an 8 December 1951 campaign speech in Madras that he was certain Prime Minister Nehru had little support in his Congress Party organization. Narain said that Congressmen "bowed before him (Nehru) a few months ago and agreed to throw out Mr. Tandon (then president of the party) because they realized that there was none else to campaign for them. After the elections, they will show Mr. Nehru his place in the Congress organization." (U Madras Desp 790, 11 Dec 51)

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Comment: Prior to the beginning of the national election campaigns in India, a rightist majority within the Congress Party command seemed to be steadily gaining ground at the expense of the Prime Minister. In early September 1951, Nehru was able to force a showdown with the rightists, who yielded to his will presumably because they recognized the necessity of retaining him as the outstanding party symbol and vote-getter. Since September, the Congress rightists, who represent many of the largest business and financial interests in the country, have maintained almost complete silence. Now that the elections are over and the Congress Party is in control of the national government for the next five years, the rightists may be expected to reassert themselves.

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4. INDONESIA. Tendency toward moderation noted in current cabinet crisis: Ambassador Cochran's [] informed him that in a lengthy cabinet discussion on 12 February about MSA negotiations the ministers realized that if they precipitated the government's fall on this issue, the succeeding cabinet would follow the same policy as the Sukiman government. Consequently they tended toward moderation because no one wanted to precipitate a government collapse.

Cabinet members will consult further with their respective parties and reconsider the matter later in the week. There has been no mention of Foreign Minister Subardjo's resignation. (C Djakarta 1175, 12 Feb 52)

Comment: Foreign Minister Subardjo has been accused of departing from Indonesia's "independent" foreign policy by agreeing to accept US aid within the terms of the Mutual Security Act. His having done this with only the Prime Minister's consent and without the knowledge of the cabinet caused further serious dissension.

As the cabinet ministers realize, a probable subsequent government would not only follow the same general policies as the Sukiman cabinet but would be even less stable.

5. THAILAND. King of Thailand threatens abdication: The King of Thailand reportedly is threatening abdication in protest against the usurpation of his powers by the military clique which controls the government. The Chief of the Thai Air Force, according to another source, stated that Thailand would become a republic if the King did not accept the 1932 Constitution as amended.

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Comment: Other reports indicate that the King is using the threat of abdication as a weapon in his controversy with government leaders over his constitutional powers and probably has no real intent of stepping down. Although veneration of the monarchy is widespread in Thailand, no effectively

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organized force has yet come forward to support the King in his struggle with the military leaders.

6. INDOCHINA. Vietnamese Government reportedly bankrupt: Vietnamese Premier Huu, at a cabinet meeting in Saigon on 7 February, announced the bankruptcy of his government and its consequent inability to meet civil and military expenses for March 1952, [REDACTED]

[REDACTED] 25X1X

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Comment: Despite the urging of French and American officials, the Vietnamese Government has never prepared a budget, and accurate assessment of its fiscal status is therefore impossible.

Since its creation the Vietnamese Government has been obliged to resort to deficit financing which has been covered regularly by advances from the French Treasury. However, Bao Dai said on 28 January that the French had not promised to meet expected deficits in 1952 arising from military expenditures and had been threatening to cease other financial aid.

7. Chief of US Military Mission reviews Tonkin military situation: The Chief of the US Military Mission in Indochina, General Brink, who has just returned from Hanoi, estimates that the "strictly military" situation in Tonkin is not as alarming as has been pictured by some observers. He states, however, that the political situation and the loyalty of the population are uncertain and that this could well neutralize the military effort.

General Brink believes that the Tonkin delta can be defended, albeit with some difficulty. On the other hand, he sees a growing threat to the main communication line between Hanoi and Haiphong. In addition, French troop strength is inadequate to meet any new Viet Minh attacks on the defense perimeter and simultaneously to prevent infiltration of the delta. (S USMA Saigon MG 3179, 8 Feb 52)

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8. CHINA. First large vessels in two years visit Shanghai: [REDACTED] 25X1X [REDACTED] the Soviet tanker Sovetskaya Neft (8,228 GT) and Batumi (6,236 GT) were docked at Shanghai on 22 January; both had left by 25 January. The Polish freighter Kosciuszko arrived loaded on 25 January. (S ASTALUSNA Hong Kong, 0605Z, 5 Feb 52)

Comment: The first ocean-going vessel to call at Shanghai since 1949 was the Polish tanker Karpaty, which, according to Lloyd's Shipping Index, was at Shanghai from 15 to 21 December 51. Port authorities must have done considerable dredging in recent months to enable these vessels to negotiate the channel, which was reportedly badly silted a year ago.

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9. KOREA. ROK Minister declares preparations completed for the return of the government to Seoul: Minister of Home Affairs "Montana" Chang, in his first press conference, stated that his ministry has completed every necessary preparation for the return of the ROK Government to Seoul. Stating that the government may return at "any time," the Minister emphasized, however, that the decision will be made by President Syngman Rhee. (U FBIS, 11 Feb 52)

Comment: On 28 January President Rhee, in his first public appearance in Seoul since its second recapture, stated that he hoped to return the capital to Seoul within one month. However, severe shortages of food, fuel and housing in Seoul make the return of the capital to that city a difficult and unwise task.

10. JAPAN. Four-year defense build-up for Japan cited: Jiji news agency announced on 11 February that the Japanese Government has completed a four-year plan for building up the country's defense force to 260,000 by 1955. The proposal is reportedly based on the assumption that the gradual withdrawal of US land forces from Japan will be completed within five years. Japan, however, will request that the US Air Force and Navy remain there for at least ten years because the Japanese are planning only a fleet of small ships centering around destroyers. Under the present plan, the National Police Reserve will be changed to peace preservation corps and increased from 75,000 to 110,000 in 1952. The corps is to be strengthened annually by 50,000 for the three subsequent years until it reaches the 260,000 goal in 1955. (U FBIS, 11 Feb 52)

Comment: The preamble of the US-Japan security treaty states that the US expects Japan to assume increasing responsibility for the defense of its homeland.

11. Preparations completed for official signing of Japan-India peace treaty: The governments of Japan and India have completed drafts of the peace treaty to be concluded between both nations. A conference for the official signing will be held in the near future -- possibly late next week. The separate treaty, which will take effect simultaneously with the coming into force of the San Francisco pact, will be officially initialled by the Japanese Foreign Affairs Minister and the Chief of the Indian Liaison Mission in Japan. (R FBIS, 11 Feb 52)

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SECTION 3 (WESTERN)

1. EAST GERMANY. Propaganda encourages West German resistance to rearmament: Under the direction of the German-Soviet Friendship League, almost 7,500 East German correspondence groups are preparing propaganda letters to West Germans which accent German unity and introduce a new theme of "genuine German patriotism." Current press and radio propaganda is inciting "all-German patriots" to resist conscription and prevent industrial preparations for war by labor resistance. Strike propaganda is being directed toward the West Germans through press and radio, with the ultimate objective of promoting a feeling of rebellion against remilitarization by the Western powers; at the same time, West Germans of all parties are being exhorted to unite against the Adenauer government and join the East Germans in the interests of peace. [REDACTED]; P Berlin 981, 31 Jan 52) 25X1A

Comment: The tactics of agitating for resistance and merely urging unification instead of taking concrete action toward this end can have little success in forestalling West German defense preparations. In their increasingly desperate attempts to delay defense measures, the Communists may have to make a much greater concession in the unity campaign, perhaps by admitting an elections investigating committee to the Soviet Zone.

2. FRANCE. French insist lapse of trade liberalization program is temporary: The Minister of Finance has informed US officials that France has decided upon a total suspension of trade liberalization measures in preference to a partial reimposition of import quotas in order to place the "heaviest possible emphasis" on the temporary character of the action being taken. Furthermore, French officials believe that they are thereby making it more difficult for protectionist interests later to resist a gradual relaxation of the restrictions now being imposed. France's "particularly heavy" deficit in the EPU for the week ending 1 February probably speeded the government's decision. (S Paris TOMUS 125, 5 Feb 52)

Comment: The net French deficit, which first appeared last October, had reached 203.7 million dollars by 5 January. The UK also declared that its restoration of quotas, last November, was a temporary measure; but neither Britain nor France is likely to be in a position to reverse its action in the near future. Although the entire Western European trade liberalization program is not immediately threatened, retaliation against specific French exports by some nations is to be expected.

3. AUSTRIA. Political interests complicate administration of foreign assistance: Recent violations of agreements with the US on the use of counter-part funds, suggesting that Austrian officials are unduly influenced by

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partisan considerations, have brought warnings of MSA retaliatory action. Last month the MSA mission in Vienna informed the then Minister of Agriculture Kraus that breadgrain delivery premiums, financed with counterpart funds, should be terminated as scheduled on 31 January. The Minister agreed to this, but subsequently introduced in the economic directorate a proposal to extend the program. He obtained Socialist approval by implying that the US desired the extension. Placed in a dilemma by Kraus' action, the Austrian Government has now urged the US to approve a further limited use of counterpart funds, since further grain deliveries might thus be induced, and discontinuation of the premiums would embarrass the government -- particularly that part of it dependent upon farm support.

Similarly, the Austrian Government has continued indirectly to finance subsidies with counterpart funds contrary to agreements that such expenditures must appear in the regular budget. By charging buyers less than the value of MSA imports and making up the difference with "phantom counterpart deposits," the government has continued its subsidy programs while concealing the size of the public debt. MSA officials, believing that it is time to crack down on this practice, have demanded a refinancing of the memorandum account with treasury bills, and have threatened to withhold any further counterpart releases until the government complies with its commitments. (Factual data from: C Vienna MUSTO 82, 2 Feb 52; C Vienna TOMUS 102, 2 Feb 52; S Vienna MUSTO 89, 7 Feb 52)

4. BELGIUM. Government retaliates for Czech ouster of Belgian Attache: Belgium has declared the Czech Military Attache in Brussels persona non grata in retaliation for Czechoslovakia's expulsion of the Belgian Military Attache in Prague. The Czech official's espionage activities had been known to both Belgium and the Netherlands for two years; his expulsion had been postponed in the hope that he would defect and provide useful information. The US Embassy in Brussels states that although the delay in the Belgian reprisal may have impaired the effectiveness of this step in the eyes of Czechoslovakia, the development of the case has been well received by the public. (C Prague 591, 4 Feb 52; S Brussels 1131, 7 Feb 52)

Comment: The Belgian Military Attache was expelled from Czechoslovakia in early January following charges of espionage activities. (see OCI Daily Digest, 17 Jan 52).

5. UNITED KINGDOM. Communists protest government's "austerity" cuts in campaign to reduce production: Several Communist-dominated local trade union branches are urging their members to abandon overtime work as a protest against the Conservative Government's reduction of health service benefits. The executive of the Scottish coal miners union and one coal mining district in South Wales are supporting the move. (R London Joint Weeka 6, 8 Feb 52)

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Comment: In view of the trade union movement's increasing alertness to Communist tactics, this new Communist effort has little chance of succeeding except in isolated instances. Even slight success, however, might have appreciable effects on coal production, since last year's increase was achieved in large part by overtime work.

6. NORWAY. Government desires early German participation in Western defense: Norway will vote for full West German membership in NATO if there is no other way to secure Germany's participation in Western defense. The government prefers, however, that Germany first become a member of the EDC, particularly since the Norwegian Foreign Office maintains that public opinion in formerly occupied countries is not yet prepared for Germany's full membership in NATO. Norway wants every effort to be made to conclude an EDC agreement, including pressure on France. (S Oslo 703, 8 Feb 52)

7. LATIN AMERICA. Moscow Economic Conference fails to engender enthusiasm: Despite current reports from the Communist press and radio that Latin American "businessmen, industrialists, merchants, and workers" are exhibiting a "lively interest" in the approaching Moscow Economic Conference, there is no evidence that such enthusiasm has been engendered. Prominent non-Communist business and professional men who have been invited have shown little or no interest and have ignored or refused the invitation. Although in October 1951 three Latin Americans were named on the Initiating Committee for the conference, Latin American Communist groups have apparently been poorly informed concerning the conference; they have shown uneven enthusiasm and a general lack of interest. Undoubtedly, a number of prominent Latin American Communists and fellow travelers will attend, but they will probably be publicists affiliated with pro-Communist newspapers or favored members of the various national pro-peace committees, which have acted as organizing agents for the conference. Although Latin American labor will probably send some delegates, there has to date been little evidence of interest within the CTAL or non-Communist labor groups.

Available information suggests that the conference will probably accomplish little or nothing toward furthering Latin American economic relations with the Soviet Orbit. (Factual data from: R FBIS TASS-Montevideo, 2 Feb 52; C Copenhagen D-390, 30 Oct 51; U El Nacional, Caracas, 13 Sep 51, etc.)

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8. BOLIVIA. Large delegation attends Argentine-sponsored labor conference: Twelve Bolivian labor leaders, including several ardent supporters of the Nationalist Revolutionary Movement and one known Communist, were scheduled to attend the River Plate labor conference in Asuncion 9-17 February (see OCI Daily Digest, 8 Feb 52). Their expenses are being paid by the

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Argentine General Confederation of Labor, which is sponsoring the meeting.

Comment: Argentine influence among Bolivian labor leaders has increased appreciably during the past year. The extent to which Argentina is subsidizing delegates from countries other than Bolivia has not been indicated.

9. GUATEMALA. Cabinet Ministers invite US investments: The Minister of Economy and Labor and the recent Ambassador to Washington, now Minister of Communications, stress that US investments in Guatemala are "more than welcome" and invite inquiries on the subject from potential investors. They say favorable concessions, including various tax exemptions, can be arranged. They point particularly to undeveloped mineral resources such as iron, zinc, lead, and chromite; hydroelectric power investment possibilities; lumber resources; and reported petroleum deposits. (U Journal of Commerce, 7 Feb 52)

Comment: President Arbenz has spent at least 20,000 dollars for advertising in the Journal of Commerce since last July. It is doubtful that this expenditure can go far to counteract the present unfavorable political and economic climate for foreign investors in Guatemala.

10. Government seizes United Fruit Company holdings: The Labor Court of the Department of Escuintla has served an order of attachment on the United Fruit Company's Pacific coast properties. The attachment is effective immediately, but the company has until 14 February to appeal the order. The seizure came after the company had failed to comply with the decisions of Guatemalan courts ordering it to pay 645,000 dollars in back wages to the 3,746 workers it suspended last September and to resume immediately its operations on the Pacific coast. (R Guatemala City 255, 11 Feb 52)

Comment: The suspension of the workers last September came after a devastating storm on the Pacific coast banana plantations. Before rehabilitating the plantations the company wants assurances from the government that company costs will not rise substantially. The company reportedly intends to liquidate its holdings in Guatemala if these assurances are not forthcoming.

A company decision to leave Guatemala would be a severe blow to the country's economy. Strong nationalist feeling seems to blind present Guatemalan leaders to the repercussions such an event would have.

11. HAITI. Labor unrest resurges: The Union of Workers of the Shipping Agents and Longshoremen is demanding substantial wage increases and improved

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working conditions from the Haitian Wharf Co., an affiliate of the Haytian-American Sugar Co. and the Association of Shipping Agents. The latter two have refused the demands which ultimately will probably have to be referred to the Department of Labor with a request for arbitration. So far the government has indicated no desire to back the demands. (U Port-au-Prince 346, 27 Dec 51)

Comment: The principal cause for the present wage agitation is the failure of general wage levels to parallel the rapidly rising cost of living. This is the first indication of labor unrest since December 1950 when labor disturbances, reportedly encouraged and supported by the Workers Peasant Movement and the Communist Party, resulted in the dissolution of those two organizations. Since then labor has remained poorly organized, has had little influence, and has been controlled largely by the government. The present dispute will probably end with the granting of a small wage increase and perhaps some additional minor benefits.

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